



[4310-T2]

## DEPARTMENT OF THE INTERIOR

### Office of Natural Resources Revenue

[Docket No. ONRR-2011-0006; DS63610000 DR2PS0000.CH7000 145D0102R2]

### Agency Information Collection Activities: OCS Net Profit Share Payment

### Reporting—OMB Control Number 1012-0009; Comment Request

**AGENCY:** Office of Natural Resources Revenue (ONRR), Interior.

**ACTION:** Notice of extension.

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**SUMMARY:** To comply with the Paperwork Reduction Act of 1995 (PRA), ONRR is notifying the public that we have submitted to the Office of Management and Budget (OMB) an information collection request (ICR) to renew approval of the paperwork requirements in the regulations under 30 CFR part 1220. This notice also provides the public a second opportunity to comment on the paperwork burden of these regulatory requirements.

**DATES:** OMB has up to 60 days to approve or disapprove this information collection request but may respond after 30 days; therefore, you should submit your public comments to OMB by **(INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER)** for the assurance of consideration.

**ADDRESSES:** You may submit your written comments directly to the Desk Officer for the Department of the Interior (OMB Control Number 1012-0009), Office of Information and Regulatory Affairs, OMB, by email to [OIRA\\_Submission@omb.eop.gov](mailto:OIRA_Submission@omb.eop.gov) or telefax at (202) 395-5806. Please also mail a copy of your comments to Mr. Luis Aguilar,

Regulatory Specialist, ONRR, P.O. Box 25165, MS 61030A, Denver, Colorado 80225-0165, or by email to *Luis.Aguilar@onrr.gov*. Please reference ICR 1012-0009 in your comments.

**FOR FURTHER INFORMATION CONTACT:** For questions on technical issues, contact Mr. James Smith, Audit and Compliance Management (ACM), ONRR, telephone (303) 231-3705, or email *james.smith@onrr.gov*. For other questions, contact Luis Aguilar, telephone (303) 231-3418, or email *luis.aguilar@onrr.gov*. You may also contact Mr. Aguilar to obtain copies, at no cost, of (1) the ICR and (2) the regulations that require us to collect the information. To see a copy of the entire ICR submitted to OMB, go to <http://www.reginfo.gov/public/PRAMain> and select “Information Collection Review,” then select “Department of the Interior” in the drop-down box under “Currently Under Review.”

**SUPPLEMENTARY INFORMATION:**

*Title:* OCS Net Profit Share Payment Reporting—30 CFR part 1220

*OMB Control Number:* 1012-0009.

*Bureau Form Number:* None.

*Abstract:* The Secretary of the U.S. Department of the Interior is responsible for collecting royalties from lessees who produce minerals from leased Federal and Indian lands and the Outer Continental Shelf (OCS). Under various laws, the Secretary’s responsibility is to manage mineral resources production on Federal and Indian lands and the OCS, collect the royalties and other mineral revenues due, and distribute the funds collected under those laws. ONRR performs the royalty management functions and assists the Secretary in carrying out the Department’s responsibility. Public laws

pertaining to mineral leases on Federal and Indian lands and the OCS are posted at [http://www.onrr.gov/Laws\\_R\\_D/PublicLaws.htm](http://www.onrr.gov/Laws_R_D/PublicLaws.htm).

## **I. General Information**

ONRR collects and uses this information to determine all allowable direct and allocable joint costs and credits under §1220.011 incurred during the lease term, appropriate overhead allowance permitted on these costs under §1220.012, and allowances for capital recovery calculated under §1220.020. ONRR also collects this information to ensure royalties or net profit share payments are accurately valued and appropriately paid. This ICR affects only oil and gas leases on submerged Federal lands on the OCS.

## **II. Information Collections**

Title 30 CFR part 1220 covers the net profit share lease (NPSL) program and establishes reporting requirements for determining the net profit share base under §1220.021 and calculating net profit share payments due the Federal Government for the production of oil and gas from leases under §1220.022.

### *A. NPSL Bidding System*

To encourage exploration and development of oil and gas leases on submerged Federal lands on the Outer Continental Shelf (OCS), the Bureau of Ocean Energy Management, promulgated regulations at 30 CFR part 260—Outer Continental Shelf Oil and Gas Leasing. Also, BOEM promulgated specific implementing regulations for the NPSL bidding system at §260.110(d). BOEM established the NPSL bidding system to balance a fair market return to the Federal Government for the lease of its public lands with a fair profit to companies risking their investment capital. The system provides an

incentive for early and expeditious exploration and development and provides for sharing the risks by the lessee and the Federal Government. The NPSL bidding system incorporates a fixed capital recovery system as a means through which the lessee recovers costs of exploration and development from production revenues, along with a reasonable return on investment.

*B. NPSL Capital Account*

The Federal Government does not receive a profit share payment from an NPSL until the lessee shows a credit balance in its capital account; that is, cumulative revenues and other credits exceed cumulative costs. Lessees multiply the credit balance by the net profit share rate (30 to 50 percent), resulting in the amount of net profit share payment due the Federal Government.

ONRR requires lessees to maintain an NPSL capital account for each lease under §1220.010, which transfers to a new owner when sold. Following the cessation of production, lessees are also required to provide either an annual or a monthly report to the Federal Government, using data from the capital account until the lease is terminated, expired, or relinquished.

*C. NPSL Inventories*

The NPSL lessees must notify the BOEM of their intent to take inventory so the BOEM Director may be represented at the taking of inventory under 1220.032. Each lessee must file a report after each inventory is taken, reporting the controllable material under §1220.031.

*D. NPSL Audits*

When non-operators of an NPSL call for an audit, they must notify ONRR. When

ONRR calls for an audit, the lessee must notify all non-operators on the lease. These requirements are located at §1220.033.

### **III. OMB Approval**

The information we collect under this ICR is essential in order to determine when net profit share payments are due and to ensure lessees properly value and pay royalties or net profit share payments.

We are requesting OMB approval to continue to collect this information. Not collecting this information would limit the Secretary's ability to discharge fiduciary duties and may also result in the inability to confirm the accurate royalty value. Proprietary information submitted to ONRR under this collection is protected, and no items of a sensitive nature are included in this information collection.

*Frequency:* Annually, monthly, and on occasion.

*Estimated Number and Description of Respondents:* 14 lessees.

*Estimated Annual Reporting and Recordkeeping "Hour" Burden:* 2,451 hours.

All fourteen lessees report monthly because all current NPSLs are in producing status. Because the requirements for establishment of capital accounts at §1220.010(a) and capital account annual reporting at §1220.031(a) are necessary only during non-producing status of a lease, we included only one response annually for these requirements, in case a new NPSL is established. We have not included in our estimates certain requirements performed in the normal course of business, which are considered usual and customary. The following table shows the estimated annual burden hours by CFR section and paragraph.

**RESPONDENTS' ESTIMATED ANNUAL BURDEN HOURS**

<b>Citation 30 CFR 1220</b>	<b>Reporting &amp; Recordkeeping Requirement</b>	<b>Hour Burden</b>	<b>Number of Annual Responses</b>	<b>Annual Burden Hours</b>
<b>PART 1220—ACCOUNTING PROCEDURES FOR DETERMINING NET PROFIT SHARE PAYMENT FOR OUTER CONTINENTAL SHELF OIL AND GAS LEASES</b>				
<b>§1220.010 NPSL capital account</b>				
1220.010(a)	(a) For each NPSL tract, an NPSL capital account shall be established and maintained by the lessee for NPSL operations . . .	1	1	1
<b>§1220.030 Maintenance of records</b>				
1220.030(a) and (b)	(a) Each lessee . . . shall establish and maintain such records as are necessary . . .	1	14	14
<b>§1220.031 Reporting and payment requirements</b>				
1220.031(a)	(a) Each lessee subject to this part shall file an annual report during the period from issuance of the NPSL until the first month in which production revenues are credited to the NPSL capital account . . .	1	14	14
1220.031(b)	(b) Beginning with the first month in which production revenues are credited to the NPSL capital account, each lessee . . . shall file a report for each NPSL, not later than 60 days following the end of each month . . .	13	168 <sup>1</sup>	2,184
1220.031(c)	(c) Each lessee subject to this Part 220 shall submit, together with the report required . . . any net profit share payment due . . .	Burden hours covered under §1220.031(b).		
1220.031(d)	(d) Each lessee . . . shall file a report not later than 90 days after each inventory is taken . . .	8	14	112
1220.031(e)	(e) Each lessee . . . shall file a final report, not later than 60 days following the cessation of production . . .	4	14	56
<b>§1220.032 Inventories</b>				
1220.032(b)	(b) At reasonable intervals, but at least once every three years, inventories of controllable materiel shall be taken by the lessee. Written notice of intention to take inventory shall be given by the lessee at least 30 days before any inventory is to be taken so that the Director may be represented at the taking of inventory . . .	1	14	14
<b>§1220.033 Audits</b>				

Citation 30 CFR 1220	Reporting & Recordkeeping Requirement	Hour Burden	Number of Annual Responses	Annual Burden Hours
1220.033(b)(1)	(b)(1) When nonoperators of an NPSL lease call an audit in accordance with the terms of their operating agreement, the Director shall be notified of the audit call . . .	2	14	28
1220.033(b)(2)	(b)(2) If DOI determines to call for an audit, DOI shall notify the lessee of its audit call and set a time and place for the audit . . . The lessee shall send copies of the notice to the nonoperators on the lease . . .	2	14	28
1220.033(e)	(e) Records required to be kept under §1220.030(a) shall be made available for inspection by any authorized agent of DOI . . .	The Office of Regulatory Affairs determined that the audit process is exempt from the Paperwork Reduction Act of 1995 because MMS staff asks non-standard questions to resolve exceptions.		
<b>TOTAL BURDEN</b>			<b>267</b>	<b>2,451</b>

<sup>1</sup>(14 NPSL reports x 12 months = 168 reports)

*Estimated Annual Reporting and Recordkeeping “Non-hour” Cost Burden:* We have identified no “non-hour cost” burdens.

*Public Disclosure Statement:* The PRA (44 U.S.C. 3501 *et seq.*) provides that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number.

*Comments:* Before submitting an ICR to OMB, PRA section 3506(c)(2)(A) requires each agency to “\* \* \* provide 60-day notice in the **Federal Register** \* \* \* and otherwise consult with members of the public and affected agencies concerning each proposed collection of information \* \* \*.” Agencies must specifically solicit comments to: (a) evaluate whether the proposed collection of information is necessary for the agency to perform its duties, including whether the information is useful; (b) evaluate the accuracy of the agency’s estimate of the burden of the proposed collection of information; (c) enhance the quality, usefulness, and clarity of the information to be collected; and (d)

minimize the burden on the respondents, including the use of automated collection techniques or other forms of information technology.

To comply with the public consultation process, we published a notice in the **Federal Register** on May 20, 2014 (79 FR 28945), announcing that we would submit this ICR to OMB for approval. The notice provided the required 60-day comment period. We received no comments in response to the notice.

If you wish to comment in response to this notice, you may send your comments to the offices listed under the **ADDRESSES** section of this notice. OMB has up to 60 days to approve or disapprove the information collection but may respond after 30 days. Therefore, to ensure maximum consideration, OMB should receive public comments by [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

*Public Comment Policy:* We post all comments, including names and addresses of respondents, at <http://www.regulations.gov>. Before including your address, phone number, e-mail address, or other personal identifying information in your comment, be advised that your entire comment—including your personal identifying information—may be made publicly available at any time. While you can ask us in your comment to withhold your personal identifying information from public view, we cannot guarantee that we will be able to do so.



*Information Collection Clearance Officer: David Alspach (202) 219-8526.*

Dated: \_October 21, 2014.

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Gregory J. Gould,  
Director for  
Office of Natural Resources Revenue.

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